

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 USIA-06 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 PA-01 DOE-11 SOE-02
NSC-05 SS-15 STR-07 CEA-01 L-03 /115 W
-----088048 131416Z /41

R 130938Z MAR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 6065
TREASURY/DEPT WASHDC
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

C O N F I D E N T I A L TOKYO 04008

USEEC
USOECN ALSO FOR AMEMBASSY

E.O. 11652: GDS
TAGS: ECON, EFIN, ETRD, ENRG, JA
SUBJECT: JAPANESE BALANCE OF PAYMENTS MEASURES: FOUR-
POINT PROGRAM ANNOUNCED

REF: (A) TOKYO 3911, (B) TOKYO 3567

1. ECONOMIC CABINET COMMITTEE MET SATURDAY MAR. 11 AND
APPROVED NEW MEASURES TO DEAL WITH INTERNATIONAL PAYMENTS
PROBLEMS. THE COMMITTEE DECIDED: (A) TO EXPEDITE AIR-
CRAFT IMPORTS (REPORTS SUGGEST THAT THIS FOCUSES ON
IMPORTS OF WIDE-BODIED AIRCRAFT FROM BOTH THE EC AND THE
U.S.); (B) TO STUDY THE POSSIBILITY OF LEASING SUCH AIR-
CRAFT TO LDC'S; (C) TO EXPEDITE STOCKPILING OF FIVE
MILLION KILOLITERS OF OIL IN TANKERS IN FY 1978; AND (D)
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TO STOCKPILE AND/OR MAKE ADVANCE PAYMENT FOR RAW MATER-
IALS IMPORTS SUCH AS, IRON ORE PELLETS, CHROME, NICKEL,
AND URANIUM. AIRCRAFT IMPORT PROGRAM AND RAW MATERIALS
PROGRAM WOULD REPORTEDLY INVOLVE LOW-INTEREST (4.75
PERCENT) LOANS FROM THE JAPAN EX-IM BANK USING FINANCING
FROM OFFICIAL FOREIGN EXCHANGE RESERVES.

2. PRESS COMMENTARY SUGGESTS THAT GOJ WILL ALSO STUDY MEASURES TO SUSTAIN DOMESTIC DEMAND, SPECIFICALLY INCLUDING A REVIEW OF NEEDS OF JAPAN NATIONAL RAILWAYS AND SHIPBUILDING INDUSTRIES. AFTER THE MEETING MITI MINISTER KOMOTO STATED THAT THE PRIMARY CONCERN IS TO REFLATE THE ECONOMY BY EXPANDING DOMESTIC DEMAND. HE CITED INCREASED GOVERNMENT SPENDING AND A REDUCTION IN THE DISCOUNT RATE AS THE MEANS TO BE USED.

3. OTHER PRESS REPORTS ON THIS PROGRAM STATE IT IS DESIGNED TO GENERATE \$5 BILLION IN IMPORTS, OF WHICH \$2 BILLION WILL BE PURCHASES BY THE JAPAN IMPORT PROMOTION MISSION TO THE U.S., AND \$3 BILLION WILL CONSIST OF AIRCRAFT (SOME TO BE PURCHASES AND LEASED TO USERS IN THIRD COUNTRIES), METALS AND ORE, AND FIVE MILLION KILOLITERS OF OIL TO BE STORED ABOARD TANKERS. FUNDING FOR THIS OIL IS INCLUDED IN THE JFY-78 BUDGET. MITI ENERGY AGENCY OFFICIALS ARE ANXIOUS TO CARRY OUT THE PROGRAM BUT ARE RUNNING INTO PROBLEMS DECIDING WHERE TO ANCHOR THE 12-20 OIL-LADEN TANKERS WHICH WOULD BE NEEDED.

4. COMMENT: EXCEPT FOR PURCHASES BY THE IMPORT PROMOTION MISSION, MOST OF THIS PROGRAM IS NOT REALLY NEW. THE JAPANESE FULLY UNDERSTAND THAT THE PROPOSED ADVANCE PURCHASES ARE SHORT-TERM MEASURES WHICH CAN SERVE ONLY

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AS A PALLIATIVES. THEIR HOPE IS THAT THE YEN CAN SOMEHOW BE STABILIZED, AND CURRENT ACCOUNT DATA CAN BE IMPROVED TEMPORARILY, WHILE LONGER-TERM MEASURES TAKE EFFECT. SHERMAN

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